

1 **DIRECT TESTIMONY**

2 **OF**

3 **WILLIAM B. TIMMERMAN**

4 **ON BEHALF OF**

5 **SOUTH CAROLINA ELECTRIC & GAS COMPANY**

6 **DOCKET NO. 2004-178-E**

7
8 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND POSITION OF**
9 **EMPLOYMENT.**

10 **A.** William B. Timmerman, 1426 Main Street, Columbia, South Carolina. I am
11 President and Chief Executive Officer of SCANA Corporation.

12 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND BUSINESS**
13 **EXPERIENCE.**

14 **A.** I am a native South Carolinian. I graduated from Duke University in June 1968,
15 with a Bachelor of Arts Degree, majoring in Public Accounting. I completed the
16 Advanced Management Program at the Harvard University School of Business in May
17 1990.

18 Following college graduation, I spent four years in the United States Navy as an
19 enlisted man. After this service experience, I joined the public accounting firm of Arthur
20 Andersen & Co., in 1972, and spent three years auditing manufacturing enterprises. I
21 then became an audit manager, specializing in banking and public utilities. In 1978, I
22 joined one of SCANA's predecessor companies, Carolina Energies, Inc., where my
23 responsibilities included finance and administration in addition to customer relation

1 activities with our major industrial customers. In 1982, Carolina Energies was acquired
2 by South Carolina Electric & Gas Company, Inc. ("SCE&G). For several years
3 thereafter, my principal responsibility with SCE&G and its parent, SCANA, was as Chief
4 Financial Officer. In 1995, I became President and Chief Operating Officer. Since 1997,
5 I have been SCANA's Chairman, President, and Chief Executive Officer.

6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

7 **A.** In any rate proceeding, the attention of the Commission is necessarily focused on
8 the operational and financial data offered by the regulated utility to support its requested
9 rate adjustments. However, at the outset of this case, I want to take a few minutes to talk
10 about the company behind the data. I feel it is important to your process to discuss with
11 you our company, our history, our aspirations, and our vision. All of these qualities
12 provide a backdrop for the decisions we are asking you to make in this proceeding. This
13 discussion is the purpose of my testimony.

14 **Q. PLEASE PROCEED.**

15 **A.** As SCANA's CEO, I am responsible for our company and all of its subsidiaries.
16 We are a customer service company, serving electric and gas energy to 1,657,000
17 customers over a three-state area. SCE&G is our largest subsidiary, but also important to
18 our total company are our other regulated utilities and our nonregulated businesses. A
19 brief description of each of these subsidiary companies is attached as Ex. _____
20 (WBT Ex. 1). We have approximately 5,500 employees, 4,550 of whom are located in
21 South Carolina, 860 in North Carolina, and 50 in Georgia. SCANA and its subsidiaries
22 pay approximately \$123,168,000 in taxes in S.C. plus another \$7,188,000 in N.C. and
23 Georgia.

1 **Q. WILL YOU TELL US SOMETHING OF THE HISTORY OF THE COMPANY?**

2 **A.** SCANA and its various subsidiary companies have long been a part of South
3 Carolina; however, SCE&G is the heart of who we are. SCE&G's first predecessor
4 company was founded in Charleston in 1846 as a gas street lighting company. Similar
5 companies were established to serve other towns around our state. When electricity
6 could be commercially provided in the 1880's, small electric companies also began to be
7 formed around the state. Beginning in the 1920's, high voltage transmission technology
8 allowed these small systems to be merged into a unified grid which could then be served
9 by strategically located generation stations. The small local electric and gas companies in
10 our area merged over time into what is now SCE&G. We have been providing utility
11 services for almost 160 years.

12 Today, SCE&G serves the cities, towns, and counties of central and southern
13 South Carolina. We provide electric and/or gas service to 545,783 residential customers
14 and 91,983 commercial and industrial customers in our service area. Because we are a
15 customer service company, our people are essential to the success of our service. We
16 have linemen, support personnel, and customer service representatives employed
17 throughout our service territory. The jobs which SCE&G provides are good jobs, stable
18 jobs, with good benefits and personal development opportunities, around which families
19 and communities can be built and sustained. We have not seen the need to outsource our
20 service jobs.

21 Our people are integral to the communities in which they live. They volunteer
22 hours of their time to be involved in schools, churches, community charities, and special
23 events that are the fabric of our life here in South Carolina.

1 SCANA is, at present, the only Fortune 500 company headquartered in South
2 Carolina. If one looked back over the past 25 years or so, one would find the names of
3 companies, once so important to the corporate leadership of our state, which have been
4 lost to mergers or relocations. Our basic business structure and vision reflect our
5 continuing commitment to be an integral part of South Carolina's business future.

6 **Q. DO YOU HAVE ANY OTHER OBSERVATIONS ON SCANA'S CORPORATE**
7 **ROLE IN SOUTH CAROLINA?**

8 A. I am very proud of SCANA's role as a corporate citizen and our contribution to
9 the development of those portions of the state which we serve. The activities which I will
10 mention are all funded by the shareholders and are not included in rates set by this
11 Commission and paid by our customers.

12 In 2002-2003, a period of economic decline in our state, SCANA provided
13 \$1,405,250 in economic development grants to 16 South Carolina counties, which led to
14 the creation of 2,521 new jobs. We have provided corporate support to Trident Technical
15 College for an Open Math Lab in its Learning Center and an equipment grant to
16 Orangeburg-Calhoun Technical College. SCANA is a participant in Midland's Technical
17 College's "Investing in the Future" major gifts campaign. Our company believes that
18 having trained workers with technical skills continues to be the key to attracting good-
19 paying jobs to South Carolina.

20 SCANA also recognizes the importance of understanding and preserving our
21 state's culture and history. For example, we have provided support to the Avery
22 Research Center for African American History and Culture located in Charleston and
23 provided the founding easement for the Congaree Land Trust.

1 Let me specifically note our support of Homework Centers in South Carolina.
2 The SCANA Homework Centers provide a safe and structured study environment, under
3 the supervision of a certified teacher, where students can complete their class
4 assignments and learn proper study skills. With the State of South Carolina facing
5 budget constraints and decreasing funding, corporate South Carolina must do what it
6 reasonably can for the betterment of our State. I believe SCANA is doing its part. Mr.
7 Lorick will talk with you further about awards and recognition which SCE&G
8 specifically has received.

9 Finally, I am extraordinarily proud of our receipt of the Secretary of Labor's
10 Opportunity Award. This award, the Office of Federal Contract Compliance Programs
11 (OFCCP) top honor, is given to one federal contractor each year that has established and
12 instituted innovative workforce strategies and programs to ensure equal opportunity.
13 Equal employment opportunity is more than a compliance program at SCANA. The
14 commitment to equal opportunity is woven into all of our core business practices.

15 **Q. PLEASE DISCUSS SCE&G'S ROLE IN THE ELECTRIC INDUSTRY.**

16 **A.** Over the years, SCE&G has consistently pursued a strategy of remaining a
17 vertically integrated, South Carolina-based electric utility. That is, we maintain our
18 generating, transmission, and distribution capabilities in one company. The oversight and
19 support of this Commission has been critical to the success of this strategy. With
20 Commission support, we did not join other utilities in other regions of the country which
21 broke up their systems, sold generation assets, and merged with other companies.
22 Despite the trendy declarations of so-called experts saying that our company was too
23 small and should be swallowed by some regional conglomerate, this Commission has

1 supported our strategy of remaining independent. We believe this strategy has benefited
2 our customers and our state.

3 **Q. ARE THERE ANY PARTICULAR SCE&G PROJECTS YOU WISH TO**
4 **MENTION?**

5 **A.** Yes. I would particularly like to comment briefly on three projects. First, I wish
6 to comment on our remediation project for the Saluda Dam. We have previously
7 reported to the Commission on this project. When the \$287 million back-up remediation
8 dam at Lake Murray is completed, it will stand as a monument for doing what is right.
9 The new dam does not enable us to generate or sell one additional kilowatt hour of
10 electricity from the Saluda Hydro Station, but we will have protected the safety of the
11 recreational asset this 50,000 acre lake has become as well as protecting more than
12 150,000 people living downstream from Lake Murray. When it was finally clear several
13 years ago that the new dam would have to be built, our leadership committed themselves
14 to developing a strategy to get the new dam financed in a manner which would not
15 require a rate increase for our customers. If the Commission adopts our proposed
16 accounting for the costs of the dam, then, as outlined in the testimony of Mr. Addison,
17 electric customers will not have to pay for this dam, a savings to customers of
18 approximately \$35 million per year.

19 The commercial operation of our new Jasper County Generating Facility in May,
20 2004, is an achievement involving the teamwork of our regulated and nonregulated
21 companies. We wanted to have the Jasper Generating Project fueled by natural gas
22 because it had the least effect on the environment, had the highest efficiency in

1 converting fuel to electricity and the lowest construction cost among the practical
2 options.

3 Long before current discussions about the importance of utilizing liquefied natural
4 gas (LNG) as an addition to the natural gas market, we identified an opportunity to bring
5 in a third source of natural gas supply to our service territories through the Elba Island
6 LNG facility in Georgia. We immediately began planning, and, in 2001, we
7 communicated our intentions to construct an 18.2 mile pipeline to provide transportation
8 for this vital gas supply. Less than three years later, SCG Pipeline is in operation,
9 substantially improving the reliability of our natural gas supply for our South Carolina
10 customers while providing a very secure fuel source for our Jasper County Generating
11 Facility. The Commission addressed aspects of the Jasper project in Docket Nos. 2001-
12 420-E, 2004-2-E, and 2004-126-E, siting our Jasper Facility and providing fuel supply
13 for its operations. This project exemplifies our driving focus on efficiently operated,
14 secure sources of electric supply located close to our major markets and networked
15 together through a strong regional transmission grid.

16 **Q. WILL YOU BRIEFLY OUTLINE THE SCE&G CASE?**

17 **A.** Yes. First, our President, Neville Lorick, will discuss the state of the Company
18 and its need for additional revenue required to meet the service needs of our customers
19 and the economic needs of the Company. Our Chief Financial Officer, Kevin Marsh, will
20 provide an overview of SCE&G's financial situation and discuss our decision to seek rate
21 relief at this time. Mr. Thomas Osborne, Ms. Julie M. Cannell, and Dr. Burton Malkiel
22 will discuss the capital markets and the cost of capital which SCE&G must have the
23 opportunity to earn. Thereafter, Mr. Jimmy E. Addison, our Vice President, Finance for

1 SCE&G, will discuss SCE&G's internal finances as they relate to the rate relief
2 requested. He also discusses the Saluda Dam remediation project and the utilization of
3 the synthetic fuel tax credits to offset construction costs. Mr. John Spanos will present
4 the depreciation study utilized in this docket. Ms. Carlette Walker, our Assistant
5 Controller of SCANA's regulated subsidiaries, will discuss the financial exhibits
6 included in the Application and other accounting and financial information. And finally,
7 Mr. John Hendrix, our Manager of Electric Pricing and Rate Administration, will testify
8 as to cost of service, rate design and changes to general terms and conditions sought in
9 this docket.

10 **Q. ANY FINAL WORDS IN CLOSING?**

11 **A.** I very much appreciate the opportunity to comment on our company. We took this
12 same opportunity in our most recent Annual Report when we stated "We're a company of
13 5,500 driven people, working hard to meet your expectations and doing it the right way."

14 This Commission has always held SCE&G accountable for operating efficiently
15 and making prudent decisions. And you have also understood that without fair regulatory
16 treatment for the investments made in our system, we could not provide the energy
17 infrastructure South Carolina needs, nor could we continue to operate as an independent,
18 locally headquartered company.

19 Over the next few days, we look forward to telling you more about who we are as
20 a Company, how we serve the people of South Carolina, and our financial needs to
21 ensure continued excellence.

22 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

23 **A.** Yes.